

FISCAL NOTE

HB 2817 - SB 2868

February 28, 2006

SUMMARY OF BILL:

- Requires a person to show evidence of compliance with the Financial Responsibility Law in order to register a motor vehicle in the state.
- Requires insurers to notify the Department of Safety and the insured within five days of the cancellation or termination of a motor vehicle insurance policy where no replacement policy is issued that the vehicle no longer meets the requirements of the Financial Responsibility Law and that the registration will automatically terminate in 10 working days from the date of notice unless the requirements are met. Requires the Department similarly notify individuals upon withdrawal of any cash deposit or bond that was used to satisfy the requirements of the Financial Responsibility Law.
- Requires the Department to notify individuals of the termination of their vehicle's registration.
- Specifies that insurers not providing the required notification shall remain liable to the extent of the original policy for any accident.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$509,000 Recurring
\$135,800 One-Time**

Decrease State Revenues- Net Impact - Exceeds \$1,500,000

Decrease Local Govt. Revenues – Exceeds \$5,000,000

Increase Local Govt. Expenditures – Exceeds \$100,000*

Estimate assumes:

- 12 new positions in the Department of Safety to handle notifications, phone inquiries, and other administrative tasks with salary and benefits of \$304,000.
- One-time expenses associated with the additional positions for office equipment and supplies of \$35,800 and recurring expenses for postage, supplies, equipment maintenance and training of \$205,000.
- One-time increase in expenditures for computer system changes of \$100,000.

- At least 10% of the approximately 4,563,000 registered motor vehicles are driven by uninsured motorists and approximately 50% of these will not be able to maintain their registrations resulting in a decrease in motor vehicle registration fees of \$4,900,000 (\$21.50 X 228,100).
- An increase in local government expenditures estimated to exceed \$100,000 statewide for the cost to county clerks to process registrations with proof of financial responsibility, mail back registrations not properly submitted, verification of financial responsibility, and a possible increase in in-person registrations.
- A decrease in local government revenues from wheel taxes lost when individuals are not eligible to register their vehicles. This decrease is estimated to exceed \$5,000,000 statewide based on 75% of the 228,100 vehicles being subject to the wheel tax and an average wheel tax of \$33.50.
- An increase in state revenues from insurance premium taxes paid as more than 200,000 motorists that currently do not have motor vehicle insurance obtain such insurance to maintain their registrations. This increase is estimate to be approximately \$3,000,000 annually.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director